

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Request for Review of Decision of Universal)	
Service Administrator by Corr Wireless)	
Communications, LLC)	

COMMENTS OF FREE PRESS

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October 7, 2010

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Free Press¹ submits these brief comments in support of the Commission's proposed changes to the interim ETC cap rule that we believe are a crucial first step in transitioning the legacy telephony Universal Service Fund to a more efficient and modernized broadband infrastructure support fund.

First, we express our support for the Commission's *Order* implementing Verizon Wireless and Sprint's 2008 merger commitments to phase down and relinquish all future payments from the High-Cost Fund. This action was long overdue and the phase down options proposed are both reasonable methods to implement the merger commitments. Second, as consumer advocates who have repeatedly urged the Commission to adopt universal service policies that reflect the actual need for subsidies, we are very pleased that the Commission rejected calls to redistribute the relinquished Sprint and Verizon funds to other carriers. As the Commission rightly noted in the *Order*, there is simply no reason to believe that the redistribution of these funds to other CETCs would in any way further universal service goals.² To do so would simply bestow a windfall on CETCs, many of whom already earn windfalls based on the fact their support is determined not by their own network costs and revenues, but by the identical support rule and the outdated and inflated support structure for incumbent ETCs.

¹ Free Press is a national nonpartisan organization working to increase informed public participation in crucial media policy debates, and to generate policies that will produce a more competitive and public interest-oriented media system. Free Press has filed extensive comments in the above captioned proceedings, and given expert testimony on Universal Service reform before Congress.

² See *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service; Request for Review of Decision of Universal Service Administrator by Corr Wireless Communications, LLC*, WC Docket No. 05-337, CC Docket No. 96-45, Order and Notice of Proposed Rulemaking, 75 FR 56494, para. 11 (2010) (*Order and NPRM*).

In the *Notice*, the Commission seeks comment on proposed changes to the interim cap rule that will reduce the state-level interim cap if an ETC in that particular state relinquishes support. Free Press fully supports this change, regardless of any other reforms of the universal service system that may be made in the future. While we would like to see a system that ensures ratepayer funds are used efficiently by basing each supported company's subsidies on the actual support needed to keep services of reasonable quality available at reasonable rates, even in the absence of such long-term reforms it is simply good policy to *not* redistribute relinquished funds to other CETCs whose support levels are determined by the identical support rule. The *Order* notes that Sprint and Verizon retain eligibility from their voluntary relinquishing of support, and that from this fact it follows that the interim cap need not change, but also that the support to each ETC also need not change. Thus it is sensible policy to affirm that the removal of any ETC and its support should result in the commensurate lowering of the overall level of the state cap. This rule change will simply clear up the confusion that lead to the *Corr Wireless Request for Review*,³ and will as the Commission notes, formally free up funding for other demonstrated universal service needs.⁴

The Commission also seeks comment on amending Part 54 to permit the Commission to provide USAC alternate instructions for implementing prior period adjustments. The proposed change would instruct USAC to carry over excess contributions from the prior quarter to the following quarter. The motivation behind this change is to permanently enable USAC to reserve excess funds (generated presumably

³ See Request for Review By Corr Wireless Communications, LLC of Decision of Universal Service Administrator, CC Docket No. 96-45, WC Docket No. 05-337 (filed Mar. 11, 2009) (*Corr Wireless Request for Review*).

⁴ *NPRM* at para 24.

through ETC phase down and other reforms) for broadband universal service programs that the Commission may develop. While we support this proposal in theory and in practice, as it is a necessary change to implement the transitioning of the USF, we do raise one concern. The Commission's proposed implementation timetable for USF reform is appropriately aggressive. Under this timetable, it makes sense to keep the contribution factor stable by holding reserves as the Connect America Fund is designed and implemented. However, we do note that there is currently large legal uncertainty around the Commission's authority to transition the USF to support broadband connectivity by those carriers who do not voluntarily agree to have the transmission path of their packet-switched transmission services treated as common carriage services. It is possible that this legal uncertainty could result in a substantial delay or abandonment of the USF transition plans articulated in the National Broadband Plan. Were this to be the case, the proposed changes to Part 54 could result in the unnecessary overcharging of ratepayers for an extended period of time in order to build a surplus that will not be used. Thus we strongly urge the Commission to address the underlying authority issues as soon as possible, in order to avoid such a scenario that would unnecessarily overburden ratepayers.

In closing, we reiterate our strong support for the Commission's commitment to transforming the Universal Service High-Cost Fund into a modernized and more efficient support system for rural Americans. The changes proposed in this *Notice* are an important first step towards realizing the goals of the National Broadband Plan.

Respectfully submitted,

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Dated: October 7, 2010